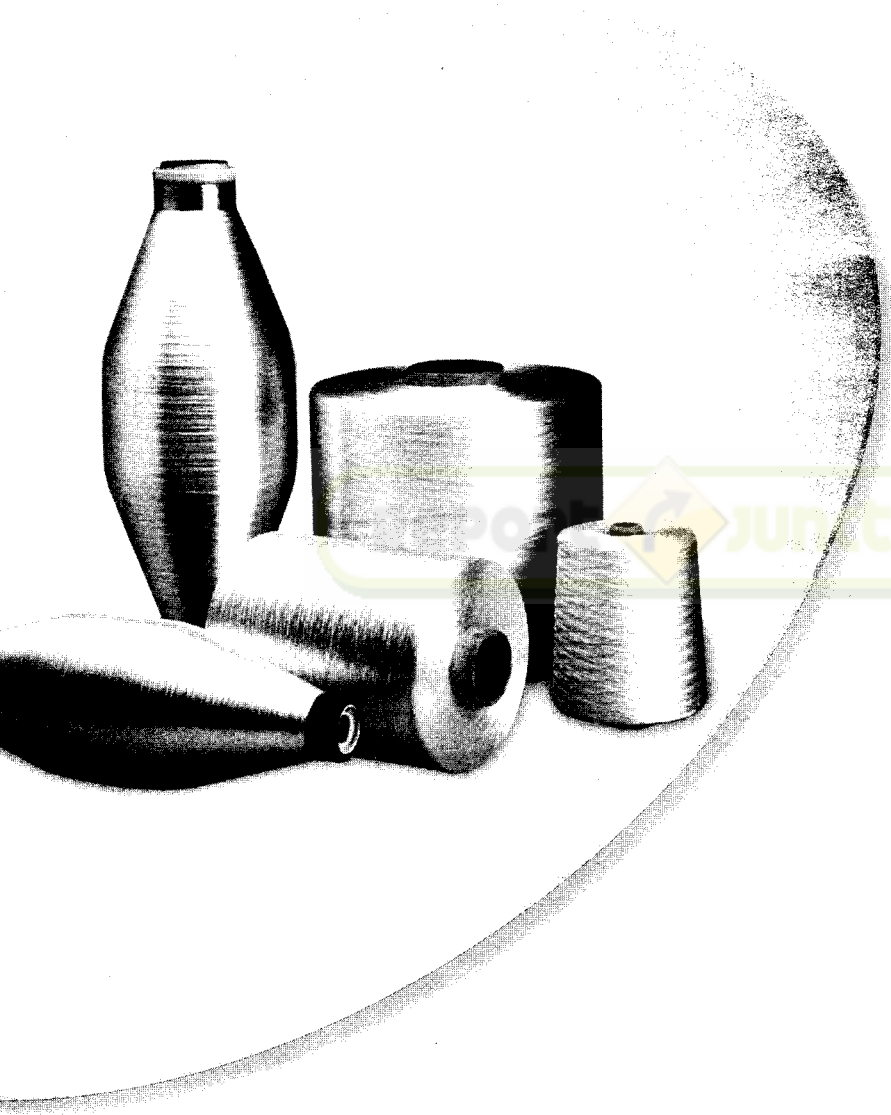


DUNCAN GOENKA



59th

Annual Report 2005-2006



NRC LIMITED

www.reportjunction.com

NOTICE

NOTICE is hereby given that the FIFTY-NINTH ANNUAL GENERAL MEETING of the Members of NRC LIMITED will be held as scheduled below:

Day : Friday
 Date : 22nd September, 2006
 Time : 11.00 a.m.
 Venue : Patkar Hall
 S.N.D.T. Women's University
 1, Nathibai Thackersey Road
 Mumbai 400 020.

to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2006 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri V. C. Vaidya, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Ashok Goenka, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s. Lodha & Co. Chartered Accountants, as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that Shri T. M. M. Nambiar, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".
6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that Shri Haigreave Khaitan, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".
7. Declaration of results of the Postal Ballot in respect of the SPECIAL RESOLUTION under Section 372A for inter

corporate loans and investments circulated to the Members (See Note m).

NOTES:

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 5, 6 and 7 are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from 8th September, 2006 to 22nd September, 2006 (both dates inclusive).
- (d) Shareholders, holding shares in physical form, are requested to notify change in their addresses along with PIN CODE to the Company at its Registered Office or to the Registrars: TSR Darashaw Ltd. (formerly known as Tata Share Registry Ltd), Army Navy Bldg, 148, Mahatma Gandhi Road, Mumbai - 400 001 quoting their Folio Numbers.
- (e) Members having multiple folios in identical or joint names in same order are requested to intimate the Registrars and Share Transfer Agents to consolidate their holdings into a single folio.
- (f) Members desiring any information as regards accounts or operation of the Company are requested to send their queries to the Corporate & Registered Office of the Company in writing at least seven days in advance of the date of the Meeting so as to enable the Management to keep the necessary information ready at the Meeting.
- (g) In the event the combined holding of Financial Institutions/Nationalised Banks/Insurance Companies etc. exceeds the limit prescribed in Section 224A of the Companies Act, 1956, the Resolution No. 4 will be proposed as a Special Resolution.
- (h) Pursuant to Section 205-A of the Companies Act, 1956, the unclaimed dividend upto the financial year ended 31.3.1996 has been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants are requested to claim the amount from Registrar of Companies, Maharashtra, Hakoba Mills Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli, Mumbai - 400 033.

Consequent on the amendment to Section 205-A by introduction of Section 205-C of the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid/unclaimed with effect from 31st March, 1996 for a period of seven years from the date of transfer to unpaid dividend account of the Company is required to be transferred to the Investor Education & Protection

NRC LIMITED

Fund (IEPF) set up by the Government of India and no payments shall be made in respect of such claims by the Fund. Accordingly, the unclaimed dividend for the financial year(s) ended 31.3.1998 has been transferred to IEPF during 2005-2006 and that relating to the financial year ended 31.3.1999, there is no dues required to be transferred to IEPF.

- (i) Members who are holding Company's Shares in dematerialised form are requested to bring details of their DP and Client ID numbers for identification.

- (j) Members holding shares in physical form, desirous of making nomination in respect of their shareholding may approach the Company or to the Share Registrars for obtaining prescribed form and return the same duly filled in and signed for registration with the Company. The Members holding shares in demat form may register their nominations with their respective DPs.

- (k) As required under the Listing Agreement with the Stock Exchanges the particulars of Directors who are proposed to be re-appointed are given below:

Sr. No.	Name	Age Yrs.	Qualifications	Experience	Share-holding in the Company	Director of the Company Since	Other Directorship/s	Committee Positions
1.	Shri V. C. Vaidya	86	LL.B. and Solicitor, Bombay	Ex-Chairman and Managing Director of The New India Assurance Co. Ltd. Shri Vaidya is experienced in legal, insurance and investment fields.	250	10th July, 1981	1. ABC Bearings Ltd. 2. Chika Pvt. Ltd. 3. Grover Vinyards Ltd. 4. Industrial & Prudential Investments Co. Ltd. 5. Standard Industries Ltd. 6. Victoria Mills Ltd.	M - A. C. M-A. C., Ch-SIGC M - A. C.
2.	Shri Ashok Goenka	75	B. A. (Eco. Hons) MBA	Former Chairman, General Insurance Corporation of India, Economic Advisor, UNCTAD, Geneva. Faculty member of Nanyang Technology University, Singapore. Mr. Goenka has wide experience in the Insurance Sector and is also an academican with background in economics and management studies.	—	17th April, 1998	1. Birla Sun Life Asset Management Co. Ltd. 2. Oxides & Specialities Ltd.	—
3.	Shri T. M. M. Nambiar	69	B. Com, A.C.A.	Worked with Burmah Shell, The Associated Cement Companies Ltd., as Director Finance, subsequently retired as a Managing Director. He was President of Cement Manufacturers' Association and was also on the board of several Bodies Corporate.	—	20th May, 2006	1. ION Exchange (India) Ltd. 2. Coromandal Fertilisers Ltd. 3. Navine Flourine International Ltd. 4. ION Exchange Envio Farms Ltd. 5. Carborandum Universal Ltd. 6. Kamath Hotels (India) Ltd.	Ch - A. C. Ch - A. C. & IGC Ch - A. C. M - IGC, R.C. — M - A. C. M - A.C.
4.	Shri Haigreve Khaitan	36	LL.B.	Experience in Commercial & Corporate Laws, tax laws, mergers and acquisitions, restructuring, foreign collaboration, licensing etc.	—	24th July, 2006	1. Cheviot Company Limited 2. Ceat Limited 3. Dhunseri Tea & Industries Limited 4. Great Eastern Energy Corporation Ltd. 5. Gujarat Borosil Limited 6. Harrisons Malayalam Limited 7. I.G.E. (India) Limited 8. International Conveyors Limited 9. National Engineering Industries Ltd. 10. Rama Newsprint & Papers Limited 11. Sterlite Optical Technologies Limited 12. The Madras Aluminium Company Ltd. 13. The Oudh Sugar Mills Ltd. 14. Xpro India Limited	M - SIGC M - AC, RC M - AC, SIGC M - SIGC M - AC, RC

* A. C. - Audit Committee, IGC - Investors' Grievance Committee, SIGC - Shareholders'/Investors' Grievance Committee, R.C. - Remuneration Committee

- (l) The Company is registered with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for dematerialisation of its Equity Shares with effect from 23.02.2001 and the ISIN number allotted to the Company's Equity Shares is INE 953C01018. Members are requested to note that pursuant to the SEBI Guidelines with effect from 26th March, 2001 trading and delivery of Company's Equity Shares is compulsorily in dematerialised form only.
- (m) Item 7 of this Notice relates to Postal Ballots sent to the Members separately u/s 192A of the Companies Act, 1956 for a Special Resolution under Section 372A for intercorporate loans, guarantees and investments in excess of the limit stated therein. As per Government of India's General Circular No. 16/2001 dated 24.07.2001 issued by the Department of Company Affairs, the Chairman shall declare the results of the Postal Ballot in the General Meeting.
- (n) All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 10.30 a.m. and 1.00 p.m. on any working day prior to the date of the Meeting.

Registered Office:
Ewart House
Homi Modi Street
Mumbai 400 001

Dated : 24th July, 2006

By Order of the
Board of Directors

Ajit P. Walwaikar
Company Secretary

EXPLANATORY STATEMENT

The following Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 sets out the material facts relating to the business at Item Nos. 5, 6 and 7 of the accompanying Notice dated 24th July, 2006.

Item No. 5

Shri T. M. M. Nambiar was appointed as Director of the Company by the Board of Directors effective from 20th May, 2006. According to the provisions of Section 260 of the Companies Act, 1956 (the Act) read with Regulation 138 of the Articles of Association of the Company, Shri T. M. M. Nambiar holds office of Director upto the date of the ensuing Annual General Meeting of the Company. A notice has been

received from a member as required by Section 257 of the Act signifying his intention to propose the appointment of Shri T. M. M. Nambiar as a Director.

The Board of Directors is of the view that the vast experience of Shri T. M. M. Nambiar in diverse fields would be of immense benefits to the Company and hence recommend his appointment for your approval.

The Board of Directors therefore commend the Ordinary Resolution for your approval.

None of the Directors except Shri T. M. M. Nambiar himself is interested in the proposal.

Item No. 6

Shri Haigreave Khaitan was appointed as Director of the Company by the Board of Directors effective from 24th July, 2006. According to the provisions of Section 260 of the Companies Act, 1956 (the Act) read with Regulation 138 of the Articles of Association of the Company, Shri Haigreave Khaitan holds office of Director upto the date of the ensuing Annual General Meeting of the Company. A notice has been received from a member as required by Section 257 of the Act signifying his intention to propose the appointment of Shri Haigreave Khaitan as a Director.

The Board of Directors is of the view that the appointment of Shri Haigreave Khaitan with his skill in legal and management would be of immense benefits to the Company and recommend his appointment for your approval.

The Board of Directors therefore commend the Ordinary Resolution for your approval.

None of the Directors except Shri Haigreave Khaitan himself is interested in the proposal.

Item No. 7

This is relating to the Postal Ballot process of which the Special Resolution and the Explanatory Statement have been sent separately.

Registered Office:
Ewart House
Homi Modi Street
Mumbai 400 001

Dated : 24th July, 2006

By Order of the
Board of Directors

Ajit P. Walwaikar
Company Secretary

NRC LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2006

To The Members

Your Directors present the 59th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	Rs. in Lacs	
	2005-2006	2004-2005
Gross Sales	44474.77	45293.06
Profit before Interest, Depreciation and Tax	2192.46	3960.40
Interest	1422.05	1478.06
Profit before Depreciation and Tax	770.42	2482.34
Depreciation	1120.06	1110.00
Profit/(Loss) before Exceptional items & Tax	(349.64)	1372.34
Provision no longer required in respect of the diminution in the value of long term investments	—	500.00
Taxation		
– Current Tax (including MAT/FBT)	(27.80)	—
– Deferred Tax Asset/(Liability)	121.69	(506.17)
Profit/(Loss) after Tax	(255.75)	1366.17
Surplus from Previous Year	997.15	754.09
Profit available for Appropriation	741.40	2120.26
Appropriations recommended:		
Transfer to:		
– General Reserve	—	500.00
– Debenture Redemption Reserve	81.17	81.17
– Proposed Dividend on Preference Shares	—	47.12
– Corporate Dividend Tax	—	6.61
– Proposed Dividend on Equity Shares	—	427.43
– Corporate Dividend Tax	—	60.78
– Surplus carried forward to Balance Sheet	660.23	997.15
	741.40	2120.26

PERFORMANCE AND PROSPECTS

The performance of your Company for the year was adversely affected mainly due to the heavy rains in July, 2005 resulting in flooding that affected the plant operations. The lower off take of domestic Nylon Tyre Cord Fabric (NTCF), steep increase in fuel prices and higher raw material prices also contributed to adverse performance. The gross sales dropped by 2% from Rs. 453 crores to Rs. 445 crores; operating profit also dropped steeply by 45% from Rs. 39.60 crores to Rs. 21.92 crores resulting in a net loss before tax of Rs. 3.50 crores.

RAYON DIVISION

The market for Viscose Filament Yarn remained steady during first half of the year but was sluggish thereafter due to slackness in demand and continuing higher imports from China. The margins were also affected due to increase in the prices of pulp and cost of power. However, reduction in excise duty in the Union Budget from 16% to 8% and likely imposition of anti-dumping duty on imports from China will help improve the performance of the Rayon Division.

NYLON DIVISION

Higher and cheap imports of Nylon Tyre Cord Fabric by the consumers from China, adversely affected the performance of Nylon Division. The volumes were low due to lower orders from tyre Companies who resorted to higher imports. At industry level, prices of NTCF had to be substantially reduced to match cheap imports. The installation of the spindraw plant purchased from Nirlon Ltd. along with new textile setup is at advanced stage of completion and trial production has started and the same will help your Company in increasing market share and broadening its customer base. This alongwith the increase in volumes, consequent to expanded capacity, will help improve the performance of the Nylon Division.

CHEMICAL DIVISION

The chemical market remained buoyant during the first quarter of the year but thereafter was adversely affected due to heavy rains in July/Aug, 2005. This affected the consuming units in Gujarat and Maharashtra. Thereafter, the market firmed up and the realizations came back to normal levels in the last quarter. The chemical market, in totality, is expected to remain stable during the current year.

The continuous and steep increase in the fuel prices resulted in sharp increase in the cost of power generation from our DG sets and adversely affected the profitability of the Company. Your Company is in the process of finalizing alternate option for meeting power requirement in order to reduce the energy cost.

The Company continued its efforts towards improving the efficiencies and reducing the cost but the savings were negatively offset by the continuous increase in the fuel and raw material prices. The expected improvement in rayon market subsequent to likely imposition of anti-dumping duty on Chinese imports alongwith higher volumes in nylon will help the Company improve the performance in the current financial year.

Your Company has been successful in arriving at an understanding with a reputed developer in respect of about 346 acres of land subject to necessary approvals/clearances/permissions, etc. The retained area of about 101 acres will be

sufficient to carry out the existing business as well as for future expansions. Funds will be received over the next one year or so and your Company is in the process of firming up plans for utilizing the funds in order to enhance the stakeholders' value.

FINANCE

During the year under review, your Company availed secured loan of Rs. 52.2 crores from its Consortium Bank for the Nylon Tyre Cord expansion project. Part of the loan is covered under TUF Scheme entitling 5% interest subsidy. During the year, Indian Overseas Bank (IOB) joined as member of the Consortium Banks providing working capital finance to the Company. Further, IOB has also provided rupee loan of Rs. 27.39 crores at competitive rates to repay the DG Set loan of IFCI.

The overall liquidity position was satisfactory due to timely action taken by the management and the support received from the Banks.

DIVIDEND

In view of the unavailability of the profit, the Directors regret their inability to recommend any dividend for the year 2005-2006.

EXPORTS

The total export of Viscose Filament Yarn (VFY) during the year was at Rs. 7.43 crores as compared to Rs. 7.10 crores in the previous year. The exports were mainly to Korea, Egypt, Bangladesh, Morocco, etc. Encouraging enquiries have been received from US and Canadian markets and exports are expected to increase.

DIRECTORS

During the year, Shri V. N. Kamte, a senior member of the Board resigned w.e.f. 12th April, 2006. The Board placed on record its deep appreciation for the valuable services and contribution of Shri V. N. Kamte during his long tenure with the Company.

The Board resolved to appoint Shri T. M. M. Nambiar and Shri Haigreave Khaitan as Additional Directors with effect from the date of receipt of their respective consent to act as director of the Company. As per the provisions of the Companies Act, 1956 both the Directors would hold office upto the 59th Annual General Meeting. Their candidatures will be put before the 59th AGM for appointment as Directors subject to retire by rotation in terms of Section 257 of the Companies Act, 1956.

Further, in terms of the Articles of Association of the Company and Section 255 of the Companies Act, 1956, Shri V. C. Vaidya and Shri Ashok Goenka retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Particulars of Energy Conservation and Research & Development activities undertaken by the Company as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed and form part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are appended.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Revised Clause 49 of the Listing Agreement with the Stock Exchanges, report on Corporate Governance Code and Auditors Certificate regarding compliance of the conditions of the Code and Management Discussion and Analyses are part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, given below is the Directors' Responsibility Statement;

The Board of Directors state:

- (i) that in the preparation of the Annual Accounts for the year ended 31st March, 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and of the profit of the Company for that period.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Annual Accounts for the year ended 31st March, 2006 had been prepared on a going concern basis.

SAFETY

Adequate safety measures and safe working practices have been implemented to ensure safety of workforce, plant and machinery as well as of the environment. The working environment is periodically monitored by drawing samples. The records of the same are maintained.

NRC LIMITED

INDUSTRIAL RELATIONS

Industrial Relations during the year under review continued to remain cordial and peaceful.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.

COST AUDIT

M/s. R. Nanabhoy & Co., Cost Accountants have been appointed as Cost Auditors to conduct the audit of Cost Accounts of the Company relating to Rayon Yarn, Nylon Tyre Cord, Caustic Soda and Sulphuric Acid for the financial year ended 31st March, 2006 with the approval of the Central Government.

APPOINTMENT OF AUDITORS

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company retire at the forthcoming Annual General Meeting

and are eligible for re-appointment. Members are requested to appoint auditors and fix their remuneration.

ACKNOWLEDGEMENTS

Your Company and its Directors acknowledge with gratitude the support received from the Government Agencies, Financial Institutions, Banks, Investors, Business Associates and Employees of the Company and look forward to their continued support.

For and on behalf of the Board of Directors

Mumbai
26th April, 2006.

G. P. GOENKA
Chairman

Report  junction.com

INFORMATION UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

2005-2006 2004-2005

- (a) Energy conservation measures taken:
- Replacement of steam based crystalliser by Acid Absorption Crystalliser for steam savings.
 - Installation of capacitors at users end in both high frequency and normal frequency power supply for improving power factor and reducing transmission losses.
 - Installation of Energy efficient Ballasts for lighting system.
 - Optimisation of High frequency supply for high denier machines for reduction in power consumption.
 - Thermal Energy Audit conducted for entire works.

- (b) Following proposals are being implemented:

- Installation of energy efficient Axial flow fans for Air conditioning.
- Replacement of Bleach Dryer Air circulation from Aluminium fans to energy efficient FRP fans.
- Layout reengineering of HF supply to Spinning machines to reduce power distribution loss.
- Use of Thermo compressors in Evaporators to increase steam economy.
- Conversion of Double effect Evaporators to triple effect evaporators.

- (c) Impact of the measures taken for saving the energy consumption is reflected in the per tonne consumption figures.

The total energy consumption and energy consumption per unit of production

2005-2006 2004-2005

I. Power and Fuel Consumption

1. Electricity:

(a) Purchased Units	43,417	19,089
(KWH in Thousands)		
Total amount (Rs. in Lacs)	1,391.64	657.22
Rate/Unit (Rs.)	3.21	3.44
includes maximum demand charges		

(b) Own Generation:

(i) Through D G Power Plant

Units (KWH in Thousands)	153,202	172,208
Fuel Cost/Unit (Rs.)	3.69	2.73

(ii) Through Diesel Generator

Units (KWH in Thousands)	7	6
Fuel Cost/Unit (Rs.)	9.06	12.27

(iii) Through Steam Turbine

Generated by Coal/Oil		
Units (KWH in Thousands)	14,754	14,474
Fuel Cost/Unit (Rs.)	1.07	0.95

2. Coal

Quantity in M.T.	49,877	54,507
Total Cost (Rs. in Lacs)	1,482.31	1,352.37
Average Rate (Rs./M.T.)	2,972	2,481

3. Furnace Oil

Quantity in K.Ltrs.	3,041	990
Total Cost (Rs. in Lacs)	533.53	118.41
Average Rate (Rs./M.T.)	17,543	11,961

4. L S H S

Quantity in M.T.	32,532	38,052
Total Cost (Rs. in Lacs)	5,312.82	4,695.69
Average Rate (Rs./M.T.)	16,331	12,340

II. Consumption per unit of Production

1. Electricity (KWH/M.T.)

Viscose Rayon Yarn	4,752	4,633
Nylon Tyre Cord	4,191	3,849
Caustic Soda	2,921	2,897
Sulphuric Acid	56	51
Carbon-di-Sulphide	1,332	1,376

2. Coal (M.T./M.T.)

Viscose Rayon Yarn	3.54	3.78
Nylon Tyre Cord	1.05	1.08
Caustic Soda	0.03	0.04
Sulphuric Acid	0.05	0.06
Carbon-di-Sulphide	0.63	0.65

3. Furnace Oil (M.T./M.T.)

Viscose Rayon Yarn	0.01	0.01
Nylon Tyre Cord	—	—
Carbon-di-Sulphide	—	—

4. L S H S/Furnace Oil (M.T./Th.KWH)

D G Power Plant	0.225	0.221
-----------------	-------	-------

NRC LIMITED

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

(a) Specific areas in which R & D carried out by the Company:

- Use of special additives for pulp and Bleaching operations for quality improvement.
- Use of speciality chemicals for producing yarn having more softness and increased elastic recovery for knitting fabric segment.
- Reengineering of coning machines design for increasing productivity and quality improvement.
- Use of high hardness tantalum spinnerets instead of precious gold spinnerets for quality improvement and cost reduction.
- Use of new class of pigments for improving brightness, lustre and development of new shades.
- Recycling of treated effluent water in spinbath evaporators for water conservation.

(b) Future Plan of Action:

- Use of synthetic filter media for cost reduction and better filtration of viscose.
- Utilization of waste viscose for value added product development.
- Provision of additional washing and hot water in bleaching machines by waste heat recovery for improving product quality.
- Installation of Thermal power plant.

- Modification of carbon disulfide furnace and charcoal calciners.
- Heat recovery from dilution tower of sulfuric acid plant.

(c) Technology Absorption:

Efforts, in brief, made towards technology absorption, adaptation and innovation:

- Use of Tube spinning Technology in Viscose Filament Yarn.
- Use of Spindraw Technology in Nylon Tyre-cord.
- Acid Absorption Continuous Crystalliser in place of Steam jet based crystalliser.

(d) Expenditure on R & D:

An expenditure of Rs. 1.50 Crores of revenue nature (Previous Year Rs. 1.59 Crores) representing 0.34% (Previous Year 0.35%) of the total turnover was incurred during the year. There was no capital expenditure.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings amounted to Rs. 7.44 Crores (Previous Year Rs. 7.11 Crores). Total Foreign Exchange outgo amounted to Rs. 12.27 Crores (Previous Year Rs. 10.72 Crores).

For and on behalf of the Board of Directors

G. P. GOENKA
Chairman

Mumbai, 26th April, 2006.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.

Name (a) Designation/Nature of Duties (b) Age (Years) (c) Remuneration (Rs.) (d) Qualifications (e) Experience (Years) (f) Date of Commencement of Employment (g) Last Employment

Sharma P. S. (a) Managing Director (b) 64 (c) 58,98,031 (d) B.E.(Chem.) (e) 41 (f) 09.08.1999 (g) Executive Director, DCM Shriram Industries Ltd.

NOTES:

- (a) Remuneration includes Salary, Leave Travel Assistance, Medical Expenses, Performance Related Pay, Company's Contribution to Provident and Superannuation Funds and other facilities/benefits the monetary value of which has been evaluated as per Income-tax Rules.
- (b) The above employee is not a relative of any Director of the Company and the nature of his employment is contractual.

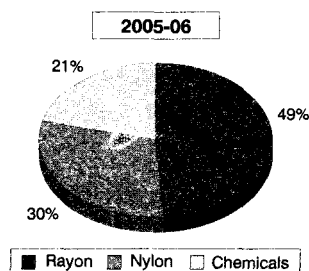
For and on behalf of the Board of Directors

G. P. GOENKA
Chairman

Mumbai, 26th April, 2006.

MANAGEMENT DISCUSSION AND ANALYSES

The Company has three strategic business units viz. Rayon, Nylon Tyre Cord & Chemicals. The individual segment share of turnover is as under:



The Company also has a Captive Power Plant of 24 MW capacity.

A brief reporting on the market segments is as follows:

BUSINESS SEGEMENT - RAYON:

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The domestic production of Viscose Filament Yarn (VFY) during the year 2005-06 increased by 3.4% and was at 56166 MT as against 54318 MT in 2004-05. The production would have been still higher but for the heavy rains/flooding during July, 2005, which affected the operations of the units situated in Kalyan and surrounding areas. As a result, your Company's production reduced to 12759 MT from 13070 MT during the previous year. Moreover, during the year, labour unrest forced a Rayon producing unit to suspend its operations from January, 2006.

The Government in its Union Budget for 2006-07 reduced excise duty on VFY from 16% to 8%. However, the custom duty on import of VFY was also reduced from 15% to 10%.

The domestic demand increased by about 9% over the previous year. This was partly met by increased imports. The demand for Rayon as Embroidery yarn was much higher compared to previous year because of increase in number of high-speed embroidery machines. However, due to lower demand in China and delay in imposition of anti dumping duty by Government of India, Chinese manufacturers dumped higher volumes of Rayon yarn of about 5674 MT into the country during the year as compared to 4287 MT during the previous year (higher by 32%). The export of Viscose Filament Yarn was lower by 16% at 6161 MT during the year under review as against 7374 MT during the previous year. Your Company is gradually converting the conventional spinning machines to tube spinning machines at the time of revamping of the machines. All manufacturers are making efforts to

improve the yarn quality to suit the need of high-speed embroidery machines. This will help further to increase the acceptability of Rayon yarn in the embroidery market.

B. OPPORTUNITIES, THREATS & RISKS

The world over demand for VFY apparel is shifting to Asian countries, especially India and China, who will remain as the leaders in the garment industry due to local VFY production base. Overall, the industry is growing. However, the availability of cost-effective synthetic yarn, further innovation in adaptability of polyester yarn and continued cheap imports of VFY from China are the areas of concern.

C. RAYON PERFORMANCE

The performance in this segment was adversely affected by the rain/floods in July, 2005 and the Production, Sales Volume and Gross Sales Turnover in 2005-06 dropped by 2.4%, 3.5% and 2.1%, respectively, over 2004-05.

D. OUTLOOK

The total consumption of VFY in the country is likely to remain stable at about 4800 MT per month. Due to better off-take during the year, the stock at industry level has come down from 5747 MT as on 31st March, 2005 to 3778 MT as on 31st March, 2006. The Company is making sustained efforts to develop innovative products and new markets for both domestic consumption and exports. The reduction in excise duty on VFY from 16% to 8% and the likely imposition of anti dumping duty on Chinese exports to India will help the Company in improving volume and realization. However, the reduction in import duty on VFY from 15% to 10% may lead to continued imports.

BUSINESS SEGMENT - NYLON:

A. INDUSTRY STRUCTURE & DEVELOPMENTS:

Automobiles industry registered a substantial growth of about 14%. Tyre industry also grew by about 10%. In the truck and bus segment, the tyre sales went up by about 8% over the previous year. In the Passenger cars, LCV's, and Motorcycle tyres segment, growth was substantially higher at about 14%. Exports of tyres have also grown by about 9% over the previous year. The demand for Nylon Tyre Cord Fabric (NTCF), one of the raw materials for tyres, consequently went up by 4%.

During the year under review, your Company started the installation of the spindraw plant purchased from Nirlon Ltd. along with new Textile setup. The same is at advance stage of completion and trial spinning production has started. After the requisite approvals from the tyre Companies, full NTCF production from this plant is expected from end of the second quarter.